Private Equity Newsletter

Time to tap into Europe's quiet private equity renaissance?

By Olvier Maurice, CFA,
Managing Partner

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From Hidden Gems to Market Leaders

Private equity has become a cornerstone of sophisticated investment portfolios, providing access to businesses and value-creation opportunities that are often unavailable through public markets. Its long-term investment horizon allows managers to pursue operational improvements, strategic acquisitions, and transformational growth without the pressure of quarterly market expectations.

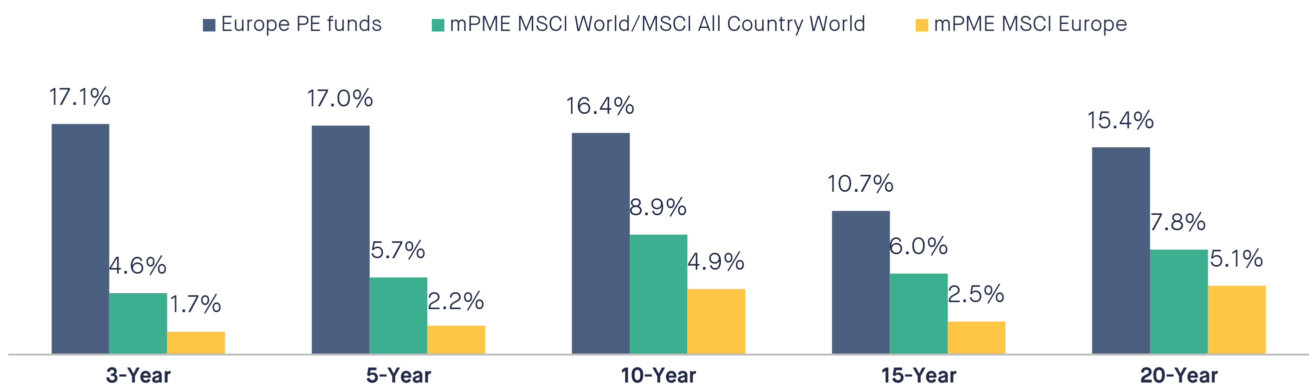
While the US has historically attracted the largest share of private equity capital, increasingly elevated valuations and intense competition are strengthening the relative appeal of Europe. This is particularly evident across the small and mid-market segments, where many high-quality businesses remain comparatively undervalued, undercapitalized or overlooked by larger institutional investors.

Europe's industrial, healthcare, logistics and manufacturing businesses may attract fewer headlines than high-growth technology companies, but they can offer resilient cash flows, established market positions and proven business models. Many are family-owned companies that have successfully navigated several economic cycles but still require the right capital partner to accelerate their development.

For experienced private equity managers, this creates an attractive environment for active ownership. By professionalizing operations, supporting international expansion and executing strategic M&A, investors can help transform established European businesses into larger and more competitive market leaders. However, capturing this opportunity requires patience, disciplined capital deployment and careful manager selection.

Figure 1: Private Equity: A key engine of outperformance

Long-term European private equity returns surpass public market equivalents



Source: Invest Europe, Cambridge Associates[1]

Figure 5[1] : CA Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public index's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME NAV is a function of mPME cash flows and public index returns. Constructed Index: MSCI World/MSCI All Country World Index: Data from 1/1/1986 to 12/31/1987 represented by MSCI index gross total return. Data from 1/1/1988 to present represented by MSCI ACWI gross total return.

Why Europe’s Mid-Market Stands Out

While global private equity activity has often been dominated by the US, Europe offers a structurally different opportunity set. Its fragmented markets, broad industrial base and large universe of privately owned businesses create fertile ground for investors able to source opportunities beyond the most competitive segments of the market.

Many of Europe’s strongest small and mid-sized companies operate in established sectors such as industrials, healthcare, logistics and manufacturing. These businesses may attract fewer headlines than high-growth technology companies, but they often benefit from proven business models, resilient demand and established customer relationships.

A significant proportion of these companies remain family-owned or founder-led. Having successfully navigated several economic cycles, they are frequently profitable and well positioned within their respective niches, yet may lack the capital, operational resources or international network required to reach the next stage of development.

For private equity managers, this creates multiple avenues for value creation. Beyond providing capital, active ownership can support management teams in professionalizing operations, accelerating international expansion, implementing digital solutions, and pursuing strategic acquisitions.

The opportunity is therefore not simply to acquire businesses at comparatively attractive valuations, but to partner with established companies and help transform them into larger, more efficient and more competitive market leaders.

This renewed focus is placing Europe firmly back on the private equity map. Attractive entry valuations, a deep pool of resilient businesses and multiple operational value-creation levers are driving a quiet renaissance across the region. For patient investors with the ability to identify the right companies and managers, Europe’s mid-market offers a compelling platform for long-term growth.

Olivier Maurice, CFA

Managing Partner & Deputy CEO
Syz Capital

“Europe’s private equity renaissance is being driven by resilient mid-market businesses, attractive valuations and the potential for active ownership to unlock long-term growth.”

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Geneva
Syz Capital AG
Quai des Bergues 1
CH – 1201 Geneva

Pfäffikon, SZ
Syz Capital AG
Zentrum Staldenbach 5
CH – 8808 Pfäffikon, SZ